

GENERAL INFORMATION ON FARMERS' SOCIAL SECURITY

What is the Goal of Social Security?

Social security covers the people's need for social protection. Thus, it forms an integral part of social peace in Austria and offers benefits for all circumstances, like birth, sickness, accident, old age or death.

In the beginning, social protection **focused on occupations**. Step by step, the different occupational groups got covered by social insurance. Social security for farmers was introduced rather late, i.e. no earlier than in the 1950s and 60s. Currently, there are 21 social security providers in Austria organized under the Main Association of Austrian Social Security Institutions (Hauptverband der österreichischen Sozialversicherungsträger) as their umbrella association. This association represents the common interests of all social insurers to the outside world and is in charge of laying down uniform directives in certain matters. Unlike the Farmers' Social Security Authority (SVB), other social insurers do not cover all three areas of social security, but comprise only one or two branches, respectively. This means, that some occupational groups have up to three different contacts in insurance matters.

Main Association of Austrian Social Security Institutions

Health Insurance	Retirement Insurance	Accident Insurance
District Health Insurance Funds Occupational Health Insurance Funds	Pension Insurance Institution	Accident Insurance Institution
Austrian Social Insurance Authority for Business		
Austrian Farmer's Social Security Authority (SVB)		
Insurance Institution for the Austrian Railway and Mining Industries		
Insurance Institution for Public Service Wage and Salary Earners	-	Insurance Institution for Public Service Loage and Salary Earners
-	Insurance Institution for Austrian Notaries	Risks partially included in pension insurance

Like all social insurances in Austria, also the farmers' social security system is based on the principle of compulsory insurance. This means that the insurance relationship is established automatically, as soon as an insurable activity is started (in farming this would be the management of an agricultural or forestry business exceeding a certain assessed value). Similarly, the insured will automatically be assigned to the competent social security institution. Farmers are covered by SVB health, accident and retirement insurance.

This principle of compulsory insurance guarantees insurance protection from the very first day in the job and allows for a social balance between income categories and benefits. In this way, the social aspect of the statutory insurance system can be realized.

In the following chapters the individual components of the farmers' social security system are explained in greater detail.

Basic Concepts of Austrian Social Security

Social security is made up of health, accident and retirement insurance. Granting of insurance benefits is dependent on the occurrence of the respective **insured event** (e.g.: sickness, accident at work, maternity, old age). Only after occurrence of a defined event, social security will grant the benefits stipulated by law.

A typical feature of Austrian social security is **compulsory membership**. This implies that the insurance does not result from a voluntary application, as under private insurance schemes, but from the existence of certain conditions as defined by law (e.g.: entering employment status, starting a self-employed activity). Thus, compulsory insurance is established **without declaration of intent** on the part of the insured as well as of the insurer. The insured will be automatically assigned to a social security institution on the basis of the legal framework, and entering the insurance scheme is even independent of prior registration or payment of contributions.

This provides for the system to be carried by a broad base of insured people (defined by the gainfully employed) which is the precondition for the working of the **solidarity principle**. In social security terms this means that most benefits are the same for all, irrespective of the amount of contributions paid. The idea behind this is that all people shall be protected by health and accident insurance in the same way and at best possible. In old age provision under the retirement insurance scheme the legislator follows a different approach and takes the income situation into consideration. Here, higher contributions will, among other things, lead to higher retirement benefits.

Through these mechanisms, the social security institutions create **social balance**: with regard to contributions, between groups at both ends of the income scale; and with regard to benefits, between those more and those less at risk.

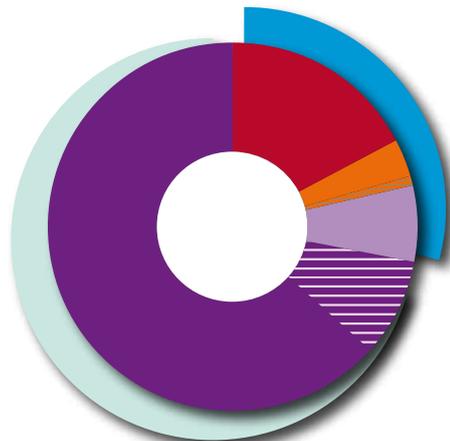
Contrary thereto stands the equivalence principle of private insurance, where the insured risk defines the amount of contributions to be paid.

Financing of Farmers' Social Security

Estimated Volume 2017: 3.297,0 (100 %)

in million Euro

Base: Total Expenses



- **Health insurance**
593,2 (18,1 %)
- **Accident insurance**
114,3 (3,5 %)
- ▨ **thereof Care benefits
Accident insurance**
1,2
- **Retirement insurance**
2.367,5 (71,8 %)
- ▨ **thereof Compensatory
supplement**
229,0
- **Care benefits**
225,8 (6,8 %)

Financing 2017: 3.312,3 (100 %)

Base: Total Earnings

- **from Federal
Government**
2.337,6 (70,6 %)
- **from Insured
Person**
974,7 (29,4 %)

Gross value added – in Euro
agriculture & forestry sectors (2015)

Agriculture, forestry and
fisheries sectors: EUR 3.905 M

Compensatory payments
for the agricultural sector: EUR 1.934 M

From the EU EUR 1.163 M

From the Austrian Federation: EUR 304 M

From the Austrian province(s): EUR 467 M

reference: Grüner Bericht 2016

Financing of individual benefits from the pool of all contributions is called '**pay-as-you-go**' **scheme or unfunded retirement plan**, as opposed to the private insurances' **funded scheme**. Financing of retirement insurance is achieved through a balance between generations, which means that, through their retirement insurance contributions, the generation currently in gainful occupation is paying the pensions of those no longer active.

However, the retirement insurance contributions paid by the insureds are not sufficient to finance retirement benefits currently payable. So, the deficit is being covered by the state by way of state guarantees. Similarly, the SVB is reimbursed by the state for expenses arising from the payment of compensatory supplements, care benefits in retirement insurance, child-care allowances and 70 percent of maternity allowances.

Distinguishing between Benefits

Most benefits are legally stipulated **compulsory benefits** payable by social security. This means that these benefits must be granted by the social insurers, if the respective legal requirements are met. If the insurer concludes that the necessary requirements are not met, the person affected can assert the claim to the respective benefit by way of legal action (no costs, need not be made through a lawyer) before an independent court i.e. the competent Labor and Social Security Court.

However, there is no legal entitlement to **voluntary benefits** granted by the social insurers (e.g. stays at health resorts), which means that claims to such benefits are not legally enforceable. Such benefits are granted by the SVB, for instance, on the basis of guidelines issued by the Board of Directors and according to the availability of funds.

Legal Basis

The Austrian Constitution stipulates that social security legislation and its legal enforcement are to be regulated for all of Austria by the Federal Government. Thus, in social security matters, there are no legal differences between the Austrian federal provinces.

What regulations is the farmers' social security system based on:

- Farmers' Social Security Act (BSVG)

The Farmers' Social Security Act forms the legal basis for the entire contribution and benefit system of farmers' social security. In most parts, this act is modelled upon the General Social Security Act (ASVG), yet it contains some specific provisions as to contributions and benefits that are necessary for farmers.

Additional acts to be taken into consideration are the following:

- General Social Security Act (ASVG)

As far as care benefits, child-care allowances and the retirement system harmonized since 2005 are concerned, the same regulations apply to all occupational groups.

- Federal Care Benefit Act (BPGG)
- Child-care Allowance Act (KBGG)
- General Pension Act (APG)

Additional regulations can be found in the **by-laws**, in the **so-called “Krankenordnung”** (~ rules for the insureds in case of sickness) and in the SVB guidelines.



Effective Data Storage Using State-of-the-Art Technologies - Establishment of Competence Centres

The use of innovative technologies and efficient and safe data storage allow not only for a cost-saving and lean administration but also for swift access to required data and information on the insureds.

Person-related data are stored by **social security number** issued by the Main Association of Austrian Social Security Institutions. It consists of a three-digit **serial number**, a one-digit **check number** and the six-digit **date of birth**. This guarantees that personal and sensitive data can be clearly attributed to a specific person. In the social security field, in particular, data protection is of utmost importance. Hence, personal data can only be retrieved with a respective authorization and any data retrieval will be documented meticulously.

Owing to the country-wide application of IT, many synergies can be exploited within the Austrian social security sector. Many jobs are no longer effected separately by every insurer but are done centrally by one insurance provider for all of them together. The Main Association of Austrian Social Security Institutions keeps the personal pension accounts and an account for the personal prescription charge cap for all persons compulsorily insured in Austria. The SVB is the competence centre for 'quality assurance in health care' and sees to the quality of home

health care on behalf of all Austrian retirement insurers and offers help and assistance to people in special life situations.

SVD - Outsourcing of the Back-Office Areas

In a joint effort, SVB and SVA, the Social Insurance Authority for Business, founded SVD Büromanagement GmbH to take over back-office functions. By outsourcing tasks like purchasing, printing or facility management to this company, the insurers can concentrate solely on their core business, which is to provide insurance, and they can exploit numerous synergies in the back-office area. The joint acting in the market also strengthens the insurance institutions' individual positions and situations.



The SVD performs back-office duties, such as

- purchasing
- facility management
- object cleaning
- printing centre
- construction issues
- ICT computing centre.

Since 2007, all the four Austria-wide operating social health insurers, i.e. (aside from SVB and SVA) the Austrian Insurance Fund for Civil Servants (BVA) and the Insurance Fund for the Austrian Railways and Mining Industries (VAEB), have been holding a share in SVD Büromanagement GmbH.